

HIGH PLAINS MENTAL HEALTH CENTER

Financial Statements With Independent Auditors' Report

For the Years Ended December 31, 2012 and 2011

HIGH PLAINS MENTAL HEALTH CENTER
Financial Statements With Independent Auditors' Report
For the Years Ended December 31, 2012

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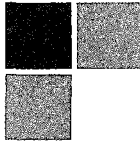
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Certified
Public
Accountants

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
High Plains Mental Health Center
Hays, Kansas

Report on the Financial Statements

We have audited the accompanying balance sheets of **High Plains Mental Health Center**, as of December 31, 2012 and 2011, and the related statements of revenues, expenses, and changes in net assets and cash flows for the years then ended, and the related notes to the financial statements, which collectively comprise the Center's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America, the *Kansas Municipal Audit and Accounting Guide*, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United State; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the *Kansas Municipal Audit and Accounting Guide*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

The Center is in compliance with K.S.A. 12-5040 in which the Center is subsidizing health insurance premiums regardless of age and, as a result, the Center is not accounting for post employment benefits. Accounting principles generally accepted in the United States of America require that accounting and

financial reporting of post employment benefits other than pensions be included in **High Plains Mental Health Center's** financial statements, which would increase the liability and the expenditures in the above financial statements. The amount by which this departure would affect the liabilities, net assets and expenses are not reasonably determinable.

Opinions

In our opinion, except for the effects of not accounting for post employment benefits, as described in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of **High Plains Mental Health Center** as of December 31, 2012 and 2011, and the changes in its financial position and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

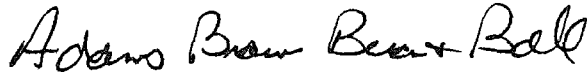
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise **High Plains Mental Health Center's** basic financial statements. The introductory section and individual fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The individual fund financial statements and the supplementary information as listed in the table of contents are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the individual fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 26, 2013 on our consideration of **High Plains Mental Health Center's** internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

A handwritten signature in black ink, reading "Adams Brown Beran Ball". The signature is written in a cursive, flowing style.

ADAMS, BROWN, BERAN & BALL, CHTD.

Certified Public Accountants

March 26, 2013

HIGH PLAINS MENTAL HEALTH CENTER

Management's Discussion and Analysis

The discussion and analysis of **High Plains Mental Health Center's** financial performance provides an overview of the Center's financial activities for the year ended December 31, 2012. Please read in conjunction with the Center's financial statements, which begin after this.

FINANCIAL HIGHLIGHTS

The assets of **High Plains Mental Health Center** exceeded its liabilities at December 31, 2012 by \$6,284,835. Of this, \$2,405,145 is unrestricted and available to meet the Center's ongoing obligations. Total net assets increased by 0.10% as a result of this year's operations.

High Plains Mental Health Center's funding is a mixture of federal, state, local, self-pay and insurance sources. The largest portion (64%) is from Fee for Service, which includes all third party and self-pay payments. The second largest revenue source is from the state; those funds include Mental Health Reform and State Aid (24%). The majority of that money comes from the Kansas Department of Aging and Disability Services' community mental health funds. Local funding from the 20 counties comprises 9% of the Center's total revenue. The remaining funds not attributable to the primary sources is 3% of the revenue.

Beginning July 1, 2007, the State of Kansas had obtained a waiver to put all Medicaid funding for mental health in a managed care plan. Initially it was a "non-risk" plan with a contract for a Prepaid Ambulatory Health Plan between the State and Kansas Health Solutions, LLC, a subsidiary of the Association of Community Mental Health Centers of Kansas, Inc. The contract shifted to an "at-risk" arrangement beginning July 1, 2011, to reduce the overall expenditures of the State in the State General Funds for Medicaid as well as the Federal Funds. This arrangement also reduced the potential liability exposure the State saw from significant events at Kansas Health Solutions, LLC. **High Plains Mental Health Center** was placed in a capped funding arrangement for Medicaid services based on historical utilization and this contract effectively put a ceiling in place, limiting further substantial growth in Medicaid revenues. **High Plains Mental Health Center** was assigned an allocation of \$4,122,886 for the fiscal year ending June 30, 2012. The contract with Kansas Health Solutions, LLC for Medicaid services was extended through December 31, 2012 and a new arrangement under KanCare began January 1, 2013.

The State of Kansas put most Medicaid services as well as Healthwave 21 under a new plan called KanCare beginning January 1, 2013. Three managed care organizations were awarded contracts to administer those health care programs. The companies are United HealthCare with Optum managing the mental health benefits, Amerigroup, and Sunflower Health Plan with Cenpatico managing the mental health services.

The current payment arrangement for Medicaid mental health services is a fee for service arrangement. However, at least one managed care organization is discussing alternate payment arrangements including a block payment arrangement. This would be an allocated dollar amount for the Center and the Center would be responsible for the majority of mental health services to the Medicaid population. As health reform moves ahead, more focus will be on outcome, capitated, and/or block payment as opposed to volume based and fee for service arrangements, which calls for us in the next few years to re-evaluate our models of care and operations.

Currently, the Center is experiencing difficulties in receiving accurate payments for the services provided or for authorizations to provide services. The difficulties are different for each of the three managed care organizations; however, there are difficulties with each one.

As the Center looks forward to changes in this managed care environment impacting three quarters of the Center's patient service revenue, management is concerned that the Center remains cautious in managing and maintaining sufficient cash reserves in order to tolerate slowdowns and even serious delays in payments for a large portion of the business.

HIGH PLAINS MENTAL HEALTH CENTER Management's Discussion and Analysis

Management recognizes the importance of and sensitivity to reserve size and have discussed this at length with the Governing Board.

In recent years, **High Plains Mental Health Center** has seen cuts in state funding under the mental health reform contract to partially fund the state Medicaid plan and cuts to help balance the State's budget. The following chart represents those changes in funding over the past several years. About \$300,000 was restored in FY 2013, but continued funding is uncertain.

High Plains Mental Health Center Analysis of Funding						
	Mental Health Reform	State Aid	Family Centered System of Care	Total	Annual Increases (Decreases)	Mental Health Reform Increases (Decreases)
FY 2007	\$ 2,235,193	\$ 736,706	\$ 186,681	\$ 3,158,580		
FY 2008	\$ 2,005,479	\$ 736,706	\$ 186,681	\$ 2,928,866	\$ (229,714)	\$ (229,714)
FY 2009	\$ 1,845,171	\$ 736,706	\$ 189,063	\$ 2,770,940	\$ (157,926)	\$ (160,308)
FY 2010	\$ 1,382,062	\$ 736,706	\$ 189,063	\$ 2,307,831	\$ (463,109)	\$ (463,109)
FY 2011	\$ 1,027,307	\$ 736,706	\$ 189,063	\$ 1,953,076	\$ (354,755)	\$ (354,755)
FY 2012	\$ 1,027,307	\$ 736,706	\$ 189,316	\$ 1,953,329	\$ 253	\$ -
FY 2013	\$ 1,320,858	\$ 736,703	\$ 189,316	\$ 2,246,877	\$ 293,548	\$ 293,551
Cummulative Increases (Decreases)					\$ (911,703)	\$ (914,335)
Cummulative Incr (Decr) as a % of Total State Funding					-28.86%	
Cummulative Incr (Decr) of MHR as % of MHR Funding						-40.91%

Though the reductions in mental health reform funding initially were to help the State implement the new Medicaid State plan, subsequent cuts were a direct result of the State's financial struggles and attempts to balance budgets. The State of Kansas has indicated mental health reform funding is focused on a more specific population and prioritized those to be served; however, advocates and others have made it clear that their expectation is that CMHCs continue to provide all services to all individuals who need such services regardless of ability to pay. This policy gap or difference leaves **High Plains Mental Health Center** at some disadvantage as to where to prioritize services and where to consider elimination of some previously considered "mandated" services.

During 2012, the Center did see a decline in patient service revenue particularly in the rehabilitation service revenue. These are primarily services provided to the severely and persistently mentally ill adults and severely emotionally disturbed youth. Management is reviewing the reasons for the decline and developing strategies to be implemented. Generally the number of patients that are members of our target population is trending downward between 5% and 10%. There have been some challenges in staffing particularly in the western offices which have resulted in turnover and a shortage of staff at times.

The Center is implementing the use of CAFAS assessments and the DLA 20 to aid in determining the level of services each patient will need. Collaborative documentation is being implemented to involve the patient in providing more direct input into the documentation of the services he/she has received as well as decrease the amount of non-direct service time staff have to spend doing documentation. Another strategy is to expand or bundle services to patients especially when traveling significant distances. Training is scheduled for staff in motivational interviewing which will help in engaging patients in treatment. The Center has applied for a grant to provide training as well as staffing to integrate physical and behavioral health care.

The Center continues to use the information analytics consultation service with MTM services and David Lloyd to aid in making decisions based on solid data analysis. This comprehensive analytics service

HIGH PLAINS MENTAL HEALTH CENTER

Management's Discussion and Analysis

allows for the transfer of encounter data and other significant information to assess internal efficiencies and accountabilities and make adjustment in policies, procedures and approaches to maximize service efficiency and revenue, within the context of such issues as Medicaid changing. Mr. Lloyd, the principle with MTM, is well known nationally and has 20+ years of experience helping mental health centers deal with evolving reimbursement and regulatory environments.

Health care reform allows for states to expand Medicaid to include individuals with income up to 133% of the federal poverty level which would increase the number of people with insurance and increase the potential reimbursements to the Center. Currently many of those individuals are self pay only and have large fee reductions. In Kansas the current Medicaid income eligibility cap is 33% of poverty level. If Kansas does expand Medicaid eligibility, this will be an opportunity for the Center to receive increased reimbursement for services provided. Additionally, there is Federal legislation being considered that would allow for the creation of Federally Qualified Behavioral Health Centers that operate similar to the Federally Qualified Health Centers. These entities are funded on a cost basis and have some enhanced reimbursement rates for Medicaid covered services, offering a possible opportunity for the Center. Health Exchanges in Kansas may also add to the number of individuals who come to the center who have a third party payer. A huge outstanding question is what an expanded Medicaid or Exchange insurance policy will include in mental health as essential benefits. This is a critical issue as it pertains to the "rehab" services. Many states believe they will totally eliminate mental health grant funding, but the question remains if needed high intensity services will be covered by the new third party payer system(s).

In previous years, the Center's Board and Administration worked with counties on the development of a county funding formula. The Center recognizes that counties are unable in total to increase funding due to economic conditions. However, over the years, counties have questioned what a "fair share" or equitable funding amount would be for counties and a six factor formula was developed. That model was used the last few years to develop county funding budget requests including requests for calendar years 2012 and 2013. The model continues to be updated annually and used to make the county funding requests. Counties are also facing many challenges in funding the basic functions of the county and there is some shift in focus for the county to prioritize life sustaining functions in determining where the county mill levy dollars will be spent.

In consideration of the multiple internal and external challenges and changing environment, **High Plains Mental Health Center** staff and Board undertake to develop strategic planning initiatives to plan for and monitor both the changing context internally and externally as well as develop modified strategic interventions to successfully serve the mission of the Center. These are documented with a Strategic Plan approved by the Governing Board annually. The Center also has developed a Strategic Management Dashboard that reviews key organizational metrics to help assess and monitor the implementation of the Strategic Plan and to aid in making business and operational adjustments throughout the year.

Challenges for the coming year include uncertainties with Medicaid managed care and uncertain or limited Medicaid revenues, managing community and customer expectations with limited resources, limited subsidies for the uninsured populations and healthcare reform. Strategies include delivering the service intensity and access to services to match the patients' needs and continue to operate within the resources available. Strategies also include continuing to develop internal efficiencies and to develop and implement mechanisms to manage services, resources, service demands and costs within the constraints of resources available. Positioning the Center for health care payment reform and integration with physical health systems is an additional strategy for the coming year.

The Center recognizes the overall trend to reduce governmental spending on the Federal, State and County levels. In order to meet the needs of the Center, the development of new programs or capital campaigns, it is clear that alternative fundraising efforts will be needed. The High Plains Mental Health Center Endowment Association Inc. is a related entity that can raise funds for **High Plains Mental Health**

HIGH PLAINS MENTAL HEALTH CENTER

Management's Discussion and Analysis

Center. Management is considering the feasibility of hiring a staff person to focus on fundraising to help meet those needs.

High Plains Mental Health Center's personnel costs total 79% (\$6,720,071) of the Center's total operating expenditures. Providing competitive wages for professional and support staff continues to be an on-going challenge for the Center. Steps were taken during 2012 to increase base wages so quality staff can be recruited and retained. The Center has also implemented incentive programs to reward staff that exceeds their performance expectations. However, Center wages continue to be on the low side for comparable positions in the community, region and state.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The balance sheets and statements of revenues, expenses and changes in net assets on pages 10 through 11 provide information about the activities of the Center as a whole and present a longer-term view to the Center's finances. Fund financial statements start on page 23. For governmental activities, these statements tell how these services were financed in the short-term as well as what remains for future spending. Fund financial statements also report the Center's operations in more detail than the government wide statements by providing information about the Center's most significant funds.

REPORTING THE CENTER AS A WHOLE

The Balance Sheets and the Statements of Revenues, Expenses and Changes in Net Assets

Our analysis of the Center as a whole begins on page 10. One of the most important questions asked about the Center's finances is "Is the Center as a whole better off or worse off as a result of the year's activities?" The Balance Sheets and the Statements of Revenues, Expenses and Changes in Net Assets report information about the Center as a whole and about its activities that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. These two statements report the Center's net assets and changes in them. Think of the Center's net assets - the difference between assets and liabilities - as one way to measure the Center's financial health or financial position. Over time, increases or decreases in the Center's net assets are one indicator of whether financial health is improving or deteriorating.

REPORTING THE CENTER'S MOST SIGNIFICANT FUNDS

Fund Financial Statements

The fund financial statements begin on page 23 and provide detailed information about the most significant funds. The Center's services are reported in governmental funds which focus on how money flows into and out of those funds and the balances left at year end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can regularly be converted to cash. The governmental fund statements provide a short-term view of the Center's general operations and the services it provides.

HIGH PLAINS MENTAL HEALTH CENTER
Management's Discussion and Analysis

THE CENTER AS A WHOLE

TABLE 1
BALANCE SHEETS

	<u>2012</u>	<u>2011</u>
Current Assets	\$ 5,428,209	5,702,635
Capital Assets	2,285,290	2,269,100
Other Assets	<u>35,070</u>	<u>41,543</u>
Total Assets	\$ <u>7,748,569</u>	<u>8,013,278</u>
Current Liabilities	\$ 386,155	756,632
Other Liabilities	<u>1,077,579</u>	<u>977,976</u>
Total Liabilities	<u>1,463,734</u>	<u>1,734,608</u>
Invested in Capital Assets, Net of Related Debt	2,165,184	2,052,668
Restricted	1,581,099	1,583,290
Designated for Subsequent Year's Expenditures	133,407	221,620
Unrestricted	<u>2,405,145</u>	<u>2,421,092</u>
Total Net Asset	<u>6,284,835</u>	<u>6,278,670</u>
Total Liabilities and Net Assets	\$ <u>7,748,569</u>	<u>8,013,278</u>

TABLE 2
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

	<u>2012</u>	<u>2011</u>
Total Operating Revenues	\$ 7,039,567	7,051,410
Total Operating Expenses	<u>(8,553,468)</u>	<u>(8,200,143)</u>
Operating Loss	(1,513,901)	(1,148,733)
Net Nonoperating Revenues (Expenses)	<u>1,608,279</u>	<u>1,471,020</u>
Increase in Net Assets	94,378	322,287
Net Assets, Beginning of Year	6,278,670	5,738,696
Increase (Decrease) in Restricted for Encumbrances	<u>(88,213)</u>	<u>217,687</u>
Net Assets, End of Year	\$ <u>6,284,835</u>	<u>6,278,670</u>

HIGH PLAINS MENTAL HEALTH CENTER
Management's Discussion and Analysis

Capital Asset Administration

Capital Assets

At the end of 2012, the Center had \$2,285,290 invested in capital assets less depreciation.

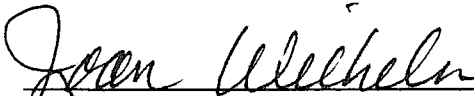
TABLE 3
CAPITAL ASSETS AT YEAR-END (NET OF DEPRECIATION)

	2012	2011
Land	\$ 95,701	\$ 95,701
Building	3,359,325	3,197,904
Equipment	2,224,950	2,185,747
Furniture and Fixtures	310,402	323,011
Library Materials	12,934	15,994
Less Accumulated Depreciation	(3,718,022)	(3,549,257)
Net Capital Assets	<u>\$ 2,285,290</u>	<u>\$ 2,269,100</u>

CONTACTING THE CENTER'S FINANCIAL MANAGEMENT

This financial report is designed to provide citizens, taxpayers, customers, board members and creditors with a general overview of the Center's finances. The report is also designed to show the Center's accountability for the money it receives.

Further questions concerning this report or the financial status of **High Plains Mental Health Center** should be directed to Joan Wilhelm's office at 208 East 7th, Hays, Kansas (785) 628-2871.


Joan Wilhelm
Director of Operations and Finance
High Plains Mental Health Center

HIGH PLAINS MENTAL HEALTH CENTER

Balance Sheets
December 31, 2012 and 2011

	2012	2011
ASSETS		
Current Assets		
Cash	\$ 4,438,969	4,737,835
Accounts Receivable, Net of Allowance	830,289	701,623
Due From Other Governments	1,341	9,084
Prepaid Expenses	157,610	254,093
Total Current Assets	5,428,209	5,702,635
Capital Assets		
Land	95,701	95,701
Buildings	3,359,325	3,197,904
Equipment	2,224,950	2,185,747
Furniture and Fixtures	310,402	323,011
Library Materials	12,934	15,994
Total Capital Assets	6,003,312	5,818,357
Accumulated Depreciation	(3,718,022)	(3,549,257)
Net Capital Assets	2,285,290	2,269,100
Other Assets		
Land	31,008	31,008
Investment	4,062	10,535
Total Other Assets	35,070	41,543
Total Assets	\$ 7,748,569	8,013,278
LIABILITIES		
Current Liabilities		
Accounts Payable	60,884	113,473
Accrued Wages, Benefits and Payroll Taxes	325,271	408,264
Deferred Revenue	-	234,895
Total Current Liabilities	386,155	756,632
Long-Term Liabilities		
Accrued Paid Leave	228,281	205,008
Extended Illness Days and Comp Time	849,298	772,968
Total Long-Term Liabilities	1,077,579	977,976
Total Liabilities	1,463,734	1,734,608
NET ASSETS		
Invested in Capital Assets, Net of Related Debt	2,165,184	2,052,668
Restricted for		
Encumbrances	133,407	221,620
Board Designations	1,581,099	1,583,290
Unrestricted	2,405,145	2,421,092
Total Net Assets	6,284,835	6,278,670
Total Liabilities and Net Assets	\$ 7,748,569	8,013,278

The notes to the financial statements are an integral part of these statements.

HIGH PLAINS MENTAL HEALTH CENTER
Statements of Revenues, Expenses and Changes in Net Assets
For the Years Ended December 31, 2012 and 2011

	<u>2012</u>	<u>2011</u>
<u>REVENUES</u>		
Operating Revenues		
Patient Services	\$ 5,576,385	5,735,701
Other Services	31,198	37,140
Federal Grants and Contracts	54,970	54,970
State Grants and Contracts	1,316,161	1,167,198
Management Fees	36,367	36,046
Sales and Rentals	24,486	20,355
Total Operating Revenues	<u>7,039,567</u>	<u>7,051,410</u>
<u>EXPENSES</u>		
Operating Expenses		
Personnel	6,720,071	6,372,780
Professional and Legal Fees	213,677	295,778
Dues	30,966	32,573
Insurance	160,472	153,994
Public Information	23,203	11,791
Travel and Meeting	285,230	256,193
Professional Resources	3,296	4,883
Supplies	104,969	89,775
Postage	41,205	39,426
Leases and Rentals	123,487	119,925
Service Agreements	101,985	94,309
Utilities	228,867	203,175
Repairs and Maintenance	53,962	55,108
Bad Debt	129,980	153,832
Depreciation	332,098	316,601
Total Operating Expenses	<u>8,553,468</u>	<u>8,200,143</u>
Net Operating Loss	<u>(1,513,901)</u>	<u>(1,148,733)</u>
<u>NONOPERATING REVENUES (EXPENSES)</u>		
State Aid	736,307	736,306
County Appropriations	730,671	697,854
Electronic Health Records Incentive	106,250	-
Donations	5,181	12,324
Cash Long/(Short)	(4)	1
Gain From Sale of Assets	36,589	8,951
Miscellaneous Revenue	12,082	19,692
Recovery of Bad Debts	5,091	12,085
Interest on Investments	13,820	22,889
Loss on Investment	(6,501)	-
Bank Service Charges	(5,618)	(5,749)
Credit Card Processing Fees	(2,122)	(1,869)
Collection Bureau	(16,259)	(16,587)
Miscellaneous Expense	(7,208)	(14,877)
Net Nonoperating Revenues (Expenses)	<u>1,608,279</u>	<u>1,471,020</u>
Increase in Net Assets	<u>94,378</u>	<u>322,287</u>
Net Assets, Beginning of Year	<u>6,278,670</u>	<u>5,738,696</u>
Increase (Decrease) in Restricted for Encumbrances	<u>(88,213)</u>	<u>217,687</u>
Net Assets, End of Year	<u>\$ 6,284,835</u>	<u>6,278,670</u>

The notes to the financial statements are an integral part of these statements.

HIGH PLAINS MENTAL HEALTH CENTER
Statements of Cash Flows
For the Years Ended December 31, 2012 and 2011

	<u>2012</u>	<u>2011</u>
Cash Flows From Operating Activities		
Patient Services	\$ 5,317,739	5,699,844
Grants and Contracts	1,136,236	1,457,063
Payments to Employees	(6,603,461)	(6,348,390)
Payments to Suppliers	(1,418,004)	(1,313,973)
Other Receipts	92,051	93,541
Net Cash Used by Operating Activities	<u>(1,475,439)</u>	<u>(411,915)</u>
Cash Flows From Noncapital Financing Activities		
State Aid	736,307	736,306
County Appropriations	738,414	698,743
Electronic Health Records Incentive	106,250	-
Donations	5,181	1,789
Other Receipts	17,169	31,778
Payments to Suppliers	(30,807)	(39,082)
Net Cash Provided by Noncapital Financing Activities	<u>1,572,514</u>	<u>1,429,534</u>
Cash Flows From Capital and Related Financing Activities		
Purchase of Capital Assets	(446,322)	(425,930)
Sale of Assets	36,589	8,951
Net Cash Used by Capital and Related Financing Activities	<u>(409,733)</u>	<u>(416,979)</u>
Cash Flows From Investing Activities		
Interest on Investments	13,792	22,889
Net Increase (Decrease) in Cash	<u>(298,866)</u>	<u>623,529</u>
Cash - Beginning of Year	<u>4,737,835</u>	<u>4,114,306</u>
Cash - End of Year	<u>\$ 4,438,969</u>	<u>4,737,835</u>

The notes to the financial statements are an integral part of these statements.

HIGH PLAINS MENTAL HEALTH CENTER
Statements of Cash Flows
For the Years Ended December 31, 2012 and 2011

	<u>2012</u>	<u>2011</u>
Reconciliation of Operating Loss to Net Cash Used by Operating Activities		
Net Operating Loss	\$ (1,513,901)	(1,148,733)
Adjustments to Reconcile Net Operating Loss to Net Cash Used by Operating Activities		
Depreciation	332,098	316,601
Changes in Operating Assets and Liabilities		
(Increase) Decrease in		
Accounts Receivable	(128,666)	117,975
Prepaid Expenses	96,483	207,065
Increase (Decrease) in		
Accounts Payable	(43,168)	58,634
Accrued Expenses	(59,720)	(220,983)
Deferred Revenue	(234,895)	234,895
Extended Illness Days and Comp Time	76,330	22,631
Net Cash Used by Operating Activities	\$ <u>(1,475,439)</u>	<u>(411,915)</u>

The notes to the financial statements are an integral part of these statements.

HIGH PLAINS MENTAL HEALTH CENTER

Notes to Financial Statements

December 31, 2012

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting and reporting policies of **High Plains Mental Health Center**, relating to the funds included in the accompanying financial statements, conform to generally accepted accounting principles applicable to state and local governments. Generally accepted accounting principles for local governments include those principles prescribed by the Governmental Accounting Standards Board (GASB), the American Institute of Certified Public Accountants in the publication entitled Audits of State and Local Governments (GASB 34 Edition), and by the Financial Accounting Standards Board, when applicable. The following is a summary of such significant policies.

Financial Reporting Entity

The Center is established by Kansas statutes and is operated and licensed as a community mental health center under the laws and regulations of the State of Kansas. The purpose of the Center is to provide mental health services and education to the community and 20 participating counties in Western Kansas.

The Kansas Division of Accounts and Reports determined the Center to be a municipality per K.S.A. 75-1122 for purposes of audit requirements. The Center is exempt from federal income tax under section 501(c)(3) of the Internal Revenue Code.

In evaluating how to define the Center for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GASB Statement No. 14 as amended by GASB No. 39. The basic, but not the only, criteria for including a potential component unit within the reporting entity is the governing body's ability to influence financial decisions and economic impact. The most significant manifestation of this ability is financial interdependency. Other manifestations of this influence by the Center may include, but are not limited to, the selection of governing authority, the designation of management and the ability to significantly influence operations and accountability for fiscal matters. The other criteria used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the Center is able to exercise oversight responsibilities. The Center has the following component unit that is blended in the financial statements.

High Plains Mental Health Center Endowment Association, Inc. is a not-for-profit corporation organized under the laws of the State of Kansas. The purpose of the Endowment is to act generally in the raising of funds for the needs and purposes of **High Plains Mental Health Center**. The board of directors is the same board as that of the Center's. The Endowment is a blended component unit of the Center and its financial information has been blended in the Center's financial statements. Contact the Center's administrative office for additional information.

Use of Estimates

Management uses estimates and assumptions in preparing financial statements. The estimates and assumptions affect certain reported amounts and disclosures that can affect these financial statements. Actual results could differ from these estimates.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

For financial statement reporting purposes, the Center is considered a special-purpose government engaged only in business-type activities. Accordingly, the Center's financial statements are prepared using the flow of economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized in the accounting period in which they are earned and expenses are recognized in the period incurred, regardless of the timing of related cash flows. All significant intra-agency transactions have been eliminated.

HIGH PLAINS MENTAL HEALTH CENTER

Notes to Financial Statements

December 31, 2012

Encumbrances

Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of resources are recorded to reserve that portion of the applicable appropriation, is utilized in the governmental funds. Encumbrances outstanding at year-end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitments will be honored during the subsequent year.

Budgetary Information

The Center is not subject to the legal annual operating budget requirements, but is controlled by the use of an internal budget established by the governing body. The internal budget is the source of the budget amounts listed in the supplementary information.

Revenue Classification

The Center has classified its revenues as either operating or nonoperating according to the following criteria:

Operating Revenues – Operating revenues include activities that have the characteristics of exchange transactions, such as (1) patient services, (2) federal and state grants and contracts, and (3) management fees.

Nonoperating Revenues – Nonoperating revenues include activities that have the characteristics of nonexchange transactions, such as donations, and other revenue sources that are defined as nonoperating revenues by GASB Statement No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*, and GASB Statement No. 34, such as state aid, county appropriations, and interest on investments.

Accounts Receivable

Accounts receivable consists of patient services and cover plans. Accounts receivable are recorded net of estimated allowance for uncollectible amounts.

Management determines the adequacy of the allowance for doubtful accounts based upon review of the aged accounts receivable. Amounts determined uncollectible are charged to the allowance account and removed from accounts receivable.

Due from other governments includes amounts due from counties.

The Endowment has a policy to grant loans to qualified individuals for the cost of education in a field of study related to mental health services.

The Endowment has loans outstanding to one individual as of December 31, 2012 in the amount of \$33,240.

Capital Assets

Capital assets, which include property, plant and equipment, are reported in the applicable governmental columns of the government-wide financial statements. Capital assets are defined by the Center as assets with an initial, individual cost of \$1,000 or more and an estimated useful life of three years or greater. These assets are valued at historical cost, estimated historical cost if actual cost is not available, and estimated fair value on the date donated.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. The sale or disposal of capital assets is recorded by removing cost and accumulated depreciation from the accounts and charging the resulting gain or loss to income.

HIGH PLAINS MENTAL HEALTH CENTER

Notes to Financial Statements

December 31, 2012

Depreciation has been provided over the estimated useful lives using the straight-line method. The estimated useful lives are as follows:

Buildings	15 to 40 years
Equipment	5 to 15 years
Furniture and Fixtures	5 to 15 years
Library Materials	5 to 10 years

Prepaid Items

Payments made to vendors for goods or services that will benefit periods beyond the current year are recorded as prepaid items when they are deemed material and it is considered appropriate.

Net Assets

The Center has, by Board action, established reserves to be used for assigned purposes. When an expense is incurred for which both assigned and unassigned net assets are available, it is the Center's policy to utilize unassigned net assets.

A capital replacement reserve has been established as part of the assigned fund balance. This reserve has been designated for building improvement, building replacement and equipment replacement. The continuing education reserve is designated to be used for professional staff education. The Center has included a provision for future unemployment benefits based on taxable wages paid to the Center's employees. The Center has elected to act as a reimbursing employer under the provision of the State Unemployment Security law. The provision allows the Center to reimburse the State for benefits paid to former employees of the Center rather than submitting quarterly contributions based on a contribution rate and payroll. Reimbursements to the State reduce the reserve in the year paid. The capital expansion reserve will be utilized for acquiring facilities for branch offices and equipping these facilities. The reserve will also be used for other building acquisition and furnishing these acquisitions as needs dictate. The final portion of the assigned balance is the health insurance reserve, established to supplement health insurance coverage.

A balance of \$133,407 has been restricted for encumbrances as of December 31, 2012.

The Board has also implemented a policy that the Center will attempt to maintain a cash reserve of \$1,500,000, to protect the Center against unexpected budget cuts and contingencies. The amount estimated for the operation reserve is detailed in Note 2.

The Board has limited reserves as follows:

Capital Replacement Reserve	\$ 1,000,000
Capital Expansion Reserve	1,000,000
Unemployment Self Insurance	100,000
Health Insurance Reserve	100,000

The Center has designated the following amounts to each reserve for 2012:

Reserve – Capital Replacement	\$ 1,000,000
Reserve – Continuing Education	16,633
Reserve – Unemployment Self Insurance	100,000
Reserve – Health Insurance	100,000
Reserve – Capital Expansion	364,466
Encumbrances	<u>133,407</u>
Total	<u>\$ 1,714,506</u>

HIGH PLAINS MENTAL HEALTH CENTER

Notes to Financial Statements

December 31, 2012

Compensated Absences

The Center has adopted a PTO (Paid Time Off) and an EIT (Extended Illness Time) policy. All employees who work 20 hours per week or more shall earn PTO. These hours are placed in a PTO account in the employee's name and are used to provide income when the employee is absent from work for a variety of reasons, such as vacation, short-term illness (three days or less), illness of family members, to attend funerals, etc. Full-time employees accrue PTO at the rate of 18 to 24 days a year depending on salary level and years of service. PTO cannot accumulate in excess of 40 work days. The Center will reimburse an employee for 75% of his or her unused PTO upon termination of employment. Accumulated Paid Time Off reported in these financial statements totaled \$228,281 at December 31, 2012.

EIT (Extended Illness Time) is the second part of the paid time off plan and represents a form of short-term disability benefit for employees when they are off work because of their own illness or disability and whose illness or disability continues beyond three days. EIT also includes disabilities caused by pregnancy, childbirth, or other related medical conditions. Unlike PTO, EIT is paid only if an employee is ill for more than three consecutive working days. PTO must be used for the first three days of illness. Full-time employees shall accrue EIT at the rate of .5 days per month. An employee may accumulate up to 120 days of EIT. Accumulated EIT is forfeited at termination of employment. Accumulated EIT approximated \$840,373 at December 31, 2012.

The Center's comp time policy states that comp time will be considered for professional staff time spent after regular work hours in center activities after adjustment for vacation time earned over one month and subject to the approval of the supervisor. Comp time cannot be accumulated for more than five days and is forfeited at termination of employment. Accumulated comp time was \$8,925 at December 31, 2012.

Cash

For purposes of the statements of cash flows, the Center considered all unrestricted, highly liquid deposits with original maturities of three months or less as cash.

Income Taxes

The Center is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. Therefore, income taxes are not provided for in the financial statements.

The Endowment is also exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. Therefore, income taxes are not provided for in the financial statements.

NOTE 2 – CASH

Deposits

K.S.A. 9-1401 establishes the depositories which may be used by **High Plains Mental Health Center**. The statute requires banks eligible to hold the Center's funds have a main or branch bank in the county in which the Center is located, or in an adjoining county if such institution has been designated as an official depository, and the banks provide an acceptable rate of return on funds. In addition, K.S.A. 9-1402 requires the banks to pledge securities for deposits in excess of FDIC coverage. The Center has no other policies that would further limit interest rate risk.

K.S.A. 12-1675 limits the Center's investments of idle funds to time deposits, open accounts, and certificates of deposit with allowable financial institutions; U.S. government securities; temporary notes; no-fund warrants; repurchase agreements; and the Kansas Municipal Investment Pool. The Center has no investment policy that would further limit its investment choices.

HIGH PLAINS MENTAL HEALTH CENTER

Notes to Financial Statements

December 31, 2012

Concentration of Credit Risk

State statutes place no limit on the amount the Center may invest in any one issuer as long as the investments are adequately secured under K.S.A. 9-1402 and K.S.A. 9-1405.

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the Center's deposits may not be returned to it. State statutes require the Center's deposits in financial institutions to be entirely covered by federal depository insurance or by collateral held under a joint custody receipt issued by a bank within the State of Kansas, the Federal Reserve Bank of Kansas City, or the Federal Home Loan Bank of Topeka, except during designated "peak periods" when required coverage is 50%. The Center does not use "peak periods". All deposits were legally secured at December 31, 2012.

At December 31, 2012, the Center's carrying amount of deposits and cash on hand, net of the Endowment, was \$4,202,512 and the bank balance was \$4,255,809. The bank balance was held by 18 banks, which does not result in a concentration of credit risk. Of the bank balance, \$2,473,204 was covered by federal depository insurance and \$1,782,605 was collateralized with securities held by pledging financial institutions' agents in the Center's name.

Custodial Credit Risk – Investments

For an investment, this is the risk that, in the event of the failure of the issuer or counterparty, the Center will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. State statutes require investments to be adequately secured. The Center had no investments at December 31, 2012.

Cash balances at year-end for the Endowment were as follows:

Demand Deposit – Sunflower Bank	\$	35,591
Time Deposits – Sunflower Bank		30,202
Time Deposits – Bank of America		102,754
Time Deposits – Commerce Bank		<u>67,910</u>
Total Cash	\$	<u>236,457</u>

The carrying amount and bank balance of the Endowment's deposits were \$236,457 at December 31, 2012. The entire amount of the bank balance was covered by federal depository insurance.

NOTE 3 – INVESTMENTS

High Plains Mental Health Center Endowment Association, Inc. received a 20% limited partnership and a 1% general partnership interest in Woodhaven Apartments, L.P. as a contribution. The amount recognized as an investment was equal to the fair value of the interest at the time of receipt.

Fair Value Measurements

Accounting guidance establishes the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of fair value hierarchy are described below.

HIGH PLAINS MENTAL HEALTH CENTER

Notes to Financial Statements

December 31, 2012

Level 1

Quoted prices in active markets for identical assets or liabilities.

Level 2

Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full-term of the assets or liabilities.

Level 3

Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

The following table presents assets measured at fair value by classification within the fair value hierarchy as of December 31, 2012 and 2011:

		Fair Value Measurements Using		
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
2012				
Land	\$ 31,008	-	-	31,008
Investment	4,062	-	-	4,062
2011				
Land	31,008	-	-	31,008
Investment	10,535	-	-	10,535

The carrying values of cash, receivables, prepaid expenses, accounts payable, and accrued liabilities approximate their fair values due to the relatively short periods to maturity of these items or because they are receivable or payable on demand.

NOTE 4 – CAPITAL ASSETS

The following is a summary of changes in the various capital asset categories for the years ended December 31, 2012 and 2011.

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HIGH PLAINS MENTAL HEALTH CENTER
Notes to Financial Statements
December 31, 2012

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Business-type Activities				
Non-Depreciable Capital Assets				
Land	\$ 95,701	-	-	95,701
Depreciable Capital Assets				
Buildings	3,197,904	179,800	(18,379)	3,359,325
Equipment, Furniture, and Fixtures	2,508,758	172,296	(145,702)	2,535,352
Library Materials	15,994	-	(3,060)	12,934
Total Depreciable Capital Assets	5,722,656	352,096	(167,141)	5,907,611
Less Accumulated Depreciation	(3,549,257)	(332,098)	163,333	(3,718,022)
Depreciable Capital Assets, Net of Accumulated Depreciation	2,173,399	19,998	(3,808)	2,189,589
Capital Assets, Net of Accumulated Depreciation	\$ 2,269,100	19,998	(3,808)	2,285,290

NOTE 5 – LEASES

Operating Leases

High Plains Mental Health Center is obligated under certain operating leases. Operating leases do not give rise to property rights or lease obligations and, therefore, the results of the lease agreements are not reflected in the Center's account groups.

The following is a schedule by year of future minimum rental payments required under operating leases that have initial or remaining non-cancelable lease terms in excess of one year as of December 31, 2012.

Inception/ Expiration Date	Description	2013	2014	2015	2016	2017	2018 - 2019	Total
	Van Doren Family Trust	\$ 69,000	69,000	69,000	69,000	69,000	74,750	419,750
8-11/8-16	Hadley Redevelopment, LLC	11,130	11,130	11,130	7,420	-	-	40,810

NOTE 6 – COMPLIANCE WITH CONTRACTUAL REQUIREMENTS

The Kansas Department of Aging and Disability Services requires **High Plains Mental Health Center** to analyze its cash reserves and to provide justification for any reserves in excess of six months operating expenses. For 2012, the Center is in compliance with this requirement. The Center participates in numerous other state and federal grant programs, which are governed by various rules and regulations. Costs charged to the respective grant programs are subject to audit and adjustments by the grantor agencies; therefore, to the extent that the Center has not complied with the rules and regulations governing the grants, refunds of any money received may be required. In the opinion of the Center's management, any liability for reimbursement, which may arise as the result of such audits, is not believed to be material.

HIGH PLAINS MENTAL HEALTH CENTER
Notes to Financial Statements
December 31, 2012

NOTE 7 - DEFERRED COMPENSATION PLAN

High Plains Mental Health Center sponsors a deferred compensation plan under Internal Revenue Code Section 403(b). Permanent and part-time employees are eligible to participate under the plan. The employee is responsible for the amount of deferred compensation to be contributed. The Center is not required to make any contributions.

NOTE 8 - DEFINED BENEFIT PENSION PLAN

Plan Description

High Plains Mental Health Center participates in the Kansas Public Employees Retirement System (KPERS), a cost-sharing multiple-employer defined benefit pension plan as provided by Kansas law. KPERS provides retirement benefits, life insurance, disability income benefits and death benefits. Kansas law establishes and amends benefit provisions. KPERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to KPERS (611 S Kansas, Suite 100, Topeka, KS 66603) or by calling 1-888-275-5737.

Funding Policy

K.S.A. 74-4919 and K.S.A. 74-49,210 establish the KPERS member-employee contribution rates. Effective July 1, 2009 KPERS has two benefit structures and funding depends on whether the employee is a Tier 1 or Tier 2 member. Tier 1 members are active and contributing members hired before July 1, 2009. Tier 2 members were first employed in a covered position on or after July 1, 2009. Kansas law establishes the KPERS member-employee contribution rate at 4% of covered salary for Tier 1 members and at 6% of covered salary for Tier 2 members. The employer collects and remits member-employee contributions according to the provisions of Section 414(h) of the Internal Revenue Code. Kansas law provides that employer contribution rates be determined annually based on the results of an annual actuarial valuation. KPERS is funded on an actuarial reserve basis. Kansas law sets a limitation on annual increases in the employer contribution rates.

NOTE 9 – OTHER POST EMPLOYMENT BENEFITS

As provided by K.S.A. 12-5040, **High Plains Mental Health Center** allows retirees to participate in the group health insurance plan. While each retiree pays the full amount of the applicable premium, conceptually, the Center is subsidizing the retirees because each participant is charged a level of premium regardless of age. However, the cost of this subsidy has not been quantified in these financial statements.

Under the Consolidated Omnibus Budget Reconciliation Act (COBRA), the Center makes health care benefits available to eligible former employees and eligible dependents. Certain requirements are outlined by the federal government for this coverage. The premium is paid in full by the insured.

NOTE 10 – RISK MANAGEMENT

High Plains Mental Health Center carries commercial insurance for risks of loss, including property, general liability, automobile, workmen's compensation, linebacker coverage, malpractice, and employee dishonesty. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE 11 – LITIGATION

High Plains Mental Health Center is party to various legal proceedings which normally occur in governmental operations. The legal proceedings are not likely to have a material adverse impact on the funds of the Center.

HIGH PLAINS MENTAL HEALTH CENTER

Notes to Financial Statements

December 31, 2012

NOTE 12 – COMPARATIVE DATA

Comparative data for the prior year has been presented in the accompanying financial statements in order to provide an understanding of the changes in **High Plains Mental Health Center's** financial position and operations. The Center has changed the grouping of the accounts in the financial statements in the current year and the prior year comparative totals have been changed to be in conformity with these changes.

NOTE 13 – INTERFUND TRANSFERS

A summary of interfund transfers by fund type is as follows:

From	To	Amount
Mental Health Reform Hospital		
Closure Fund	General Fund	\$ 36,879
State Child Adolescent Fund	General Fund	222,447
FFT JJA Grant Fund	General Fund	19,693
	Mental Health Reform Hospital	
Mental Health Reform Fund	Closure Fund	19
General Fund	Family Centered System Fund	82,625
General Fund	Mental Health Reform Fund	558,278
General Fund	Mental Health Reform Children Fund	38
	Mental Health Reform Hospital	
General Fund	Closure Fund	12,419
General Fund	Smart Start Services Fund	162
General Fund	State Child Adolescent Fund	2,599

NOTE 14 – CONTINGENCY

High Plains Mental Health Center receives a substantial amount of revenues from government grants, all of which are subject to audit by the state government. The ultimate determination of amounts received under these programs generally is based upon allowable costs reported to and audited by the government. Until such audits have been completed and final settlement reached, there exists a contingency to refund any amount received in excess of allowable costs. Management is of the opinion that no material liability will result from such audits.

The Center constructed a new building in Osborne during 2005 with assistance from the City of Osborne, the Economic Development Committee and Osborne County. Land was provided by the City of Osborne at no cost to the Center as long as the Center made improvements with a value of at least \$316,000 and continues to provide services in that location for 10 years. The groundbreaking ceremony took place on April 9, 2005. Construction was completed and staff moved into the new facility on December 30, 2005. The Center has continued to provide services at this location through December 31, 2012.

The Endowment makes loans to qualifying individuals for educational costs as a way to provide incentive to them to pursue a career in mental health services. If individuals do not satisfactorily meet the requirements of the loan agreements, they are obligated to pay the loans back to the Endowment. As with any financing arrangement, there exists a risk of default by the individuals to whom the loans are made. Management has made no estimate of the amount of loss likely to be incurred as a result of defaults for loans outstanding as of December 31, 2012.

NOTE 15 –SUBSEQUENT EVENTS

HIGH PLAINS MENTAL HEALTH CENTER

Required Supplementary Information

HIGH PLAINS MENTAL HEALTH CENTER
General Fund
Balance Sheets
December 31, 2012 and 2011

	2012	2011
<u>ASSETS</u>		
Current Assets		
Cash	\$ 1,216,541	1,608,917
Accounts Receivable, Net of Allowance for Uncollectibles	693,178	627,239
Due From Other Governments	1,341	9,084
Prepaid Expenses	151,632	238,374
Total Current Assets	2,062,692	2,483,614
Capital Assets		
Land	95,701	95,701
Buildings	3,003,747	2,865,925
Equipment	1,939,313	1,875,229
Furniture and Fixtures	166,767	176,842
Library Materials	11,487	14,546
Total Capital Assets	5,217,015	5,028,243
Accumulated Depreciation	(3,293,451)	(3,111,147)
Net Capital Assets	1,923,564	1,917,096
Total Assets	\$ 3,986,256	4,400,710
<u>LIABILITIES AND EQUITY</u>		
Liabilities		
Accounts Payable	\$ 53,762	106,820
Accrued Wages	130,437	131,574
Accrued Payroll Liabilities and Benefits	423,115	481,698
Deferred Revenue	-	184,077
Total Liabilities	607,314	904,169
Equity		
Reserved for Encumbrances	126,787	221,620
Unreserved	3,252,155	3,274,921
Total Equity	3,378,942	3,496,541
Total Liabilities and Equity	\$ 3,986,256	4,400,710

See independent auditors' report.

HIGH PLAINS MENTAL HEALTH CENTER
General Fund
Summary Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
For the Year Ended December 31, 2012
(With Comparative Actual Totals for the Prior Year Ended December 31, 2011)

	2012			
	Original and Final Budget	Actual	Variance Positive (Negative)	2011 Actual
<u>REVENUES</u>				
Operating Revenues				
Patient Services	\$ 4,950,000	4,832,304	(117,696)	4,921,372
Other Services	30,000	31,198	1,198	37,140
State Grants and Contracts	10,000	7,606	(2,394)	7,569
Sales and Rentals	10,500	24,486	13,986	20,355
Total Operating Revenues	5,000,500	4,895,594	(104,906)	4,986,436
<u>EXPENSES</u>				
Operating Expenses				
Personnel	4,406,303	4,511,290	(104,987)	4,159,019
Professional and Legal Fees	147,050	212,578	(65,528)	286,540
Dues	39,700	30,966	8,734	32,573
Insurance	136,400	141,260	(4,860)	131,496
Public Information	14,000	23,203	(9,203)	11,566
Travel and Meeting	164,550	205,209	(40,659)	180,821
Professional Resources	5,550	3,224	2,326	3,705
Supplies	130,705	95,644	35,061	78,846
Postage	47,500	41,115	6,385	39,294
Leases and Rentals	98,965	93,045	5,920	117,915
Service Agreements	111,050	99,616	11,434	91,248
Utilities	221,050	196,310	24,740	169,048
Repairs and Maintenance	48,200	51,900	(3,700)	54,402
Capital Outlay	297,735	-	297,735	-
Total Operating Expenses	5,668,758	5,705,360	163,398	5,356,473
Net Operating Loss	(868,258)	(809,766)	(268,304)	(370,037)
<u>NONOPERATING REVENUES (EXPENSES)</u>				
State Aid	736,306	736,307	1	736,306
County Appropriations	727,863	730,671	2,808	697,854
Electronic Health Record Incentive	30,000	106,250	76,250	-
Donations	500	1,286	786	1,275
Gain (Loss) From Sale of Assets	-	19,543	19,543	13,255
Miscellaneous	500	12,068	11,568	21,280
Recovery of Bad Debts	4,000	5,091	1,091	12,085
Interest	30,000	12,933	(17,067)	21,835
Bad Debt Expense	(272,250)	(129,983)	(142,267)	(153,832)
Miscellaneous Expense	(32,050)	(29,653)	(2,397)	(37,890)
Net Nonoperating Revenues (Expenses)	1,224,869	1,464,513	(49,684)	1,312,168
Income Before Other Financing Sources (Uses)	356,611	654,747	(317,988)	942,131
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfers In	-	279,019	279,019	283,112
Transfers Out	-	(656,121)	(656,121)	(730,246)
Net Other Financing Sources (Uses)	-	(377,102)	(377,102)	(447,134)
Increase (Decrease) in Equity	356,611	277,645	(695,090)	494,997
Equity - Beginning of Year	3,559,571	3,496,541	63,030	3,064,574
Equity - End of Year	3,916,182	3,774,186	(632,060)	3,559,571
<u>Adjustments for GAAP</u>				
Increase (Decrease) in Reserve for Encumbrances	-	(94,833)	(94,833)	217,687
Depreciation Expense	(297,735)	(300,411)	2,676	(280,717)
Net Adjustments for GAAP	(297,735)	(395,244)	(92,157)	(63,030)
Equity Per Client	\$ 3,618,447	3,378,942	(724,217)	3,496,541

See independent auditors' report.

HIGH PLAINS MENTAL HEALTH CENTER
State Child Adolescent Fund
Balance Sheets
December 31, 2012 and 2011

	2012	2011
<u>ASSETS</u>		
Current Assets		
Cash	\$ 2,200,354	2,216,784
Accounts Receivable, Net of Allowance for Uncollectibles	86,130	45,439
Total Current Assets	2,286,484	2,262,223
Capital Assets		
Buildings	2,051	2,051
Equipment	57,489	57,341
Furniture and Fixtures	1,832	2,047
Library Materials	694	694
Total Capital Assets	62,066	62,133
Accumulated Depreciation	(62,066)	(61,774)
Net Capital Assets	-	359
Total Assets	\$ 2,286,484	2,262,582
<u>LIABILITIES AND EQUITY</u>		
Liabilities		
Accounts Payable	\$ 4,200	2,187
Equity		
Unreserved	2,282,284	2,260,395
Total Liabilities and Equity	\$ 2,286,484	2,262,582

See independent auditors' report.

HIGH PLAINS MENTAL HEALTH CENTER
State Child Adolescent Fund

Summary Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
For the Year Ended December 31, 2012
(With Comparative Actual Totals for the Prior Year Ended December 31, 2011)

	2012		Variance	2011
	Original and Final Budget	Actual	Positive (Negative)	Actual
<u>REVENUES</u>				
Operating Revenues				
Patient Services	\$ 850,000	744,081	(105,919)	814,329
<u>EXPENSES</u>				
Operating Expenses				
Personnel	478,184	453,619	24,565	449,895
Professional and Legal Fees	-	235	(235)	420
Insurance	9,000	7,621	1,379	10,534
Travel and Meeting	8,000	9,884	(1,884)	9,558
Professional Resources	100	-	100	-
Supplies	4,050	1,518	2,532	2,892
Leases and Rentals	5,400	28,778	(23,378)	1,532
Utilities	3,000	3,650	(650)	3,547
Repairs and Maintenance	200	25	175	-
Capital Outlay	2,922	-	2,922	-
Total Operating Expenses	510,856	505,330	5,526	478,378
Net Operating Income	339,144	238,751	(111,445)	335,951
<u>NONOPERATING REVENUES (EXPENSES)</u>				
Gain (Loss) From Sale of Assets	-	5,149	5,149	(2,324)
Bad Debt Expense	(46,750)	3	(46,753)	-
Miscellaneous Expense	(50)	(41)	(9)	(183)
Net Nonoperating Revenues (Expenses)	(46,800)	5,111	(41,613)	(2,507)
Income Before Other Financing Sources (Uses)	292,344	243,862	(153,058)	333,444
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfers In	-	2,599	2,599	-
Transfers Out	-	(222,447)	(222,447)	(211,066)
Net Other Financing Sources (Uses)	-	(219,848)	(219,848)	(211,066)
Increase (Decrease) in Equity	292,344	24,014	(372,906)	122,378
Equity - Beginning of Year	2,263,118	2,260,395	(2,723)	2,140,740
Equity - End of Year	2,555,462	2,284,409	(375,629)	2,263,118
<u>Adjustments for GAAP</u>				
Depreciation Expense	(2,922)	(2,125)	797	(2,723)
Equity Per Client	\$ 2,552,540	2,282,284	(374,832)	2,260,395

See independent auditors' report.

HIGH PLAINS MENTAL HEALTH CENTER
Mental Health Reform Fund
Balance Sheets
December 31, 2012 and 2011

	2012	2011
<u>ASSETS</u>		
Current Assets		
Accounts Receivable, Net of Allowance for Uncollectibles	\$ 17,741	2,902
Prepaid Expenses	5,978	15,719
Total Current Assets	23,719	18,621
Capital Assets		
Buildings	353,527	329,928
Equipment	146,906	166,103
Furniture and Fixtures	138,520	140,600
Total Capital Assets	638,953	636,631
Accumulated Depreciation	(290,031)	(286,399)
Net Capital Assets	348,922	350,232
Total Assets	\$ 372,641	368,853
<u>LIABILITIES AND EQUITY</u>		
Liabilities		
Accounts Payable	\$ 1,929	1,994
Deferred Revenue	-	27,792
Total Liabilities	1,929	29,786
Equity		
Reserved for Encumbrances	6,620	-
Unreserved	364,092	339,067
Total Equity	370,712	339,067
Total Liabilities and Equity	\$ 372,641	368,853

See independent auditors' report.

HIGH PLAINS MENTAL HEALTH CENTER
Mental Health Reform Fund
Summary Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
For the Year Ended December 31, 2012
(With Comparative Actual Totals for the Prior Year Ended December 31, 2011)

	2012			
	Original and Final Budget	Actual	Variance Positive (Negative)	2011 Actual
<u>REVENUES</u>				
Operating Revenues				
Federal Grants and Contracts	\$ -	54,970	54,970	54,970
State Grants and Contracts	667,008	758,812	91,804	612,037
Management Fee	32,700	36,367	3,667	36,046
Total Operating Revenues	699,708	850,149	150,441	703,053
<u>EXPENSES</u>				
Operating Expenses				
Personnel	1,315,610	1,272,806	42,804	1,241,525
Professional and Legal Fees	500	711	(211)	218
Insurance	12,320	11,592	728	11,964
Travel and Meeting	32,150	39,040	(6,890)	28,405
Professional Resources	500	72	428	72
Supplies	12,350	6,092	6,258	5,358
Postage	200	90	110	132
Leases and Rentals	250	1,664	(1,414)	478
Service Agreements	2,300	2,369	(69)	3,061
Utilities	26,600	23,379	3,221	22,615
Repairs and Maintenance	1,600	2,038	(438)	706
Capital Outlay	27,197	-	27,197	-
Total Operating Expenses	1,431,577	1,359,853	71,724	1,314,534
Net Operating Loss	(731,869)	(509,704)	78,717	(611,481)
<u>NONOPERATING REVENUES (EXPENSES)</u>				
Donations	-	-	-	14
Gain From Sale of Asset	-	5,577	5,577	3,236
Miscellaneous Expense	(100)	(648)	548	(198)
Net Nonoperating Revenues (Expenses)	(100)	4,929	6,125	3,052
Loss Before Other Financing Sources (Uses)	(731,969)	(504,775)	84,842	(608,429)
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfers In	-	558,278	558,278	631,161
Transfers Out	-	(19)	(19)	-
Net Other Financing Sources (Uses)	-	558,259	558,259	631,161
Increase (Decrease) in Equity	(731,969)	53,484	643,101	22,732
Equity - Beginning of Year	339,067	339,067	-	342,371
Equity - End of Year	(392,902)	392,551	643,101	365,103
<u>Adjustments for GAAP</u>				
Encumbrances	-	6,620	6,620	-
Depreciation Expense	(27,197)	(28,459)	1,262	(26,036)
Net Adjustments for GAAP	(27,197)	(21,839)	7,882	(26,036)
Equity Per Client	\$ (420,099)	370,712	650,983	339,067

See independent auditors' report.

HIGH PLAINS MENTAL HEALTH CENTER
Mental Health Reform Children Fund
Balance Sheets
December 31, 2012 and 2011

	<u>2012</u>	<u>2011</u>
<u>ASSETS</u>		
Current Assets		
Cash	\$ <u>36,264</u>	<u>44,379</u>
Capital Assets		
Equipment	<u>744</u>	<u>744</u>
Furniture and Fixtures	<u>463</u>	<u>463</u>
Total Capital Assets	<u>1,207</u>	<u>1,207</u>
Accumulated Depreciation	<u>(1,178)</u>	<u>(1,178)</u>
Net Capital Assets	<u>29</u>	<u>29</u>
Total Assets	\$ <u><u>36,293</u></u>	<u><u>44,408</u></u>
<u>LIABILITIES AND EQUITY</u>		
Liabilities		
Accounts Payable	\$ -	19
Deferred Grant Revenue	<u>-</u>	<u>2,986</u>
Total Liabilities	<u>-</u>	<u>3,005</u>
Equity		
Unreserved	<u>36,293</u>	<u>41,403</u>
Total Liabilities and Equity	\$ <u><u>36,293</u></u>	<u><u>44,408</u></u>

See independent auditors' report.

HIGH PLAINS MENTAL HEALTH CENTER
Mental Health Reform Children Fund

Summary Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
For the Year Ended December 31, 2012
(With Comparative Actual Totals for the Prior Year Ended December 31, 2011)

	2012		Variance	2011
	Original and Final Budget	Actual	Positive (Negative)	Actual
<u>REVENUES</u>				
Operating Revenues				
State Grants and Contracts	\$ 71,675	71,676	1	71,676
<u>EXPENSES</u>				
Operating Expenses				
Personnel	76,424	76,414	10	74,757
Professional and Legal Fees	-	85	(85)	-
Travel and Meeting	100	50	50	50
Supplies	50	-	50	-
Utilities	500	237	263	384
Total Operating Expenses	77,074	76,786	288	75,191
Net Operating Loss	(5,399)	(5,110)	(287)	(3,515)
<u>NONOPERATING REVENUES (EXPENSES)</u>				
Gain From Sale of Assets	-	-	-	17
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfers In	-	38	(38)	-
Increase (Decrease) in Equity	(5,399)	(5,072)	(325)	(3,498)
Equity - Beginning of Year	41,472	41,403	69	44,970
Equity - End of Year	36,073	36,331	(256)	41,472
<u>Adjustments for GAAP</u>				
Depreciation Expense	(76)	(38)	(38)	(69)
Equity Per Client	\$ 35,997	36,293	(294)	41,403

See independent auditors' report.

HIGH PLAINS MENTAL HEALTH CENTER
Mental Health Reform Hospital Closure Fund
Balance Sheets
December 31, 2012 and 2011

	<u>2012</u>	<u>2011</u>
<u>ASSETS</u>		
Current Assets		
Cash	\$ <u>749,353</u>	<u>606,750</u>
Capital Assets		
Equipment	<u>22,223</u>	<u>15,979</u>
Furniture and Fixtures	<u>1,895</u>	<u>2,134</u>
Total Capital Assets	<u>24,118</u>	<u>18,113</u>
Accumulated Depreciation	<u>(11,534)</u>	<u>(17,567)</u>
Net Capital Assets	<u>12,584</u>	<u>546</u>
Total Assets	\$ <u><u>761,937</u></u>	<u><u>607,296</u></u>
<u>LIABILITIES AND EQUITY</u>		
Liabilities		
Accounts Payable	\$ <u>468</u>	<u>1,223</u>
Deferred Grant Revenue	<u>-</u>	<u>12,026</u>
Total Liabilities	<u>468</u>	<u>13,249</u>
Equity		
Unreserved	<u>761,469</u>	<u>594,047</u>
Total Liabilities and Equity	\$ <u><u>761,937</u></u>	<u><u>607,296</u></u>

See independent auditors' report.

**HIGH PLAINS MENTAL HEALTH CENTER
Mental Health Reform Hospital Closure Fund**

Summary Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
For the Year Ended December 31, 2012
(With Comparative Actual Totals for the Prior Year Ended December 31, 2011)

	2012			
	Original and Final Budget	Actual	Variance Positive (Negative)	2011 Actual
<u>REVENUES</u>				
Operating Revenues				
State Grants and Contracts	\$ 288,624	288,624	-	288,624
<u>EXPENSES</u>				
Operating Expenses				
Personnel	151,677	84,448	67,229	173,345
Professional and Legal Fees	-	10	(10)	-
Travel and Meeting	13,050	10,095	2,955	14,208
Supplies	350	315	35	447
Utilities	3,300	1,493	1,807	3,130
Total Operating Expenses	168,377	96,361	72,016	191,130
Net Operating Income	120,247	192,263	(72,016)	97,494
<u>NONOPERATING REVENUES (EXPENSES)</u>				
Gain (Loss) From Sale of Assets	-	-	-	(138)
Miscellaneous Revenue	-	-	-	6,037
Net Nonoperating Revenues (Expenses)	-	-	-	5,899
Income Before Other Financing Sources	120,247	192,263	(72,016)	103,393
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfers In	-	12,438	12,438	-
Transfers Out	-	(36,879)	(36,879)	(72,046)
Net Other Financing Sources (Uses)	-	(24,441)	(24,441)	(72,046)
Increase (Decrease) in Equity	120,247	167,822	(96,457)	31,347
Equity - Beginning of Year	597,842	594,047	(3,795)	566,495
Equity - End of Year	718,089	761,869	(100,252)	597,842
Adjustments for GAAP				
Depreciation Expense	(4,325)	(400)	(4,725)	(3,795)
Equity Per Client	\$ 713,764	761,469	(104,977)	594,047

See independent auditors' report.

HIGH PLAINS MENTAL HEALTH CENTER
Family Centered System Fund
Balance Sheets
December 31, 2012 and 2011

	2012	2011
<u>ASSETS</u>		
Current Assets		
Cash	\$ -	1,292
Capital Assets		
Equipment	58,274	70,351
Furniture and Fixtures	926	926
Library Materials	753	753
Total Capital Assets	59,953	72,030
Accumulated Depreciation	(59,761)	(71,192)
Net Capital Assets	192	838
Total Assets	\$ 192	2,130
<u>LIABILITIES AND EQUITY</u>		
Liabilities		
Accounts Payable	\$ 526	1,037
Deferred Grant Revenue	-	8,015
Total Liabilities	526	9,052
Equity		
Unreserved	(334)	(6,922)
Total Liabilities and Equity	\$ 192	2,130

See independent auditors' report.

**HIGH PLAINS MENTAL HEALTH CENTER
Family Centered System Fund**

Summary Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
For the Year Ended December 31, 2012
(With Comparative Actual Totals for the Prior Year Ended December 31, 2011)

	2012			
	Original and Final Budget	Actual	Variance Positive (Negative)	2011 Actual
<u>REVENUES</u>				
Operating Revenues				
State Grants and Contracts	\$ 189,316	189,443	127	183,391
<u>EXPENSES</u>				
Operating Expenses				
Personnel	190,858	244,927	(54,069)	238,327
Professional and Legal Fees	3,000	59	2,941	-
Public Information	1,000	-	1,000	-
Travel and Meeting	17,150	20,952	(3,802)	21,286
Supplies	650	1,399	(749)	832
Utilities	4,550	3,799	751	4,210
Total Operating Expenses	217,208	271,136	(53,928)	264,655
Net Operating Loss	(27,892)	(81,693)	54,055	(81,264)
<u>NONOPERATING REVENUES (EXPENSES)</u>				
Gain (Loss) From Sale of Assets	-	6,320	6,320	(3,959)
Miscellaneous Expense	(2,000)	-	(2,000)	(8)
Net Nonoperating Revenues (Expenses)	(2,000)	6,320	4,320	(3,967)
Loss Before Other Financing Sources (Uses)	(29,892)	(75,373)	58,375	(85,231)
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfers In	-	82,625	82,625	75,063
Increase (Decrease) in Equity	(29,892)	7,252	141,000	(10,168)
Equity - Beginning of Year	(4,471)	(6,922)	2,451	5,697
Equity - End of Year	(34,363)	330	143,451	(4,471)
Adjustments for GAAP				
Depreciation Expense	(2,745)	(664)	(2,081)	(2,451)
Equity Per Client	\$ (37,108)	(334)	141,370	(6,922)

See independent auditors' report.

HIGH PLAINS MENTAL HEALTH CENTER
Smart Start Services Fund
 Balance Sheets
 December 31, 2012 and 2011

	<u>2012</u>	<u>2011</u>
<u>ASSETS</u>		
Current Assets		
Accounts Receivable, Net of Allowance for Uncollectibles	\$ -	75
	<u> </u>	<u> </u>
<u>EQUITY</u>		
Equity		
Unreserved	\$ -	75
	<u> </u>	<u> </u>

Smart Start Services Fund
 Summary Statement of Revenues, Expenditures and Changes in Equity - Budget and Actual
 For the Year Ended December 31, 2012
 (With Comparative Actual Totals for the Prior Year Ended December 31, 2011)

	<u>2012</u>		
	Original and Final Budget	Actual	Variance Positive (Negative)
<u>REVENUES</u>			2011 Actual
Operating Revenues			
State Grants and Contracts	\$ -	-	-
	<u> </u>	<u> </u>	<u>1,225</u>
<u>EXPENSES</u>			
Operating Expenses			
Personnel	-	237	(237)
Professional Resources	-	-	-
Public Relations	-	-	-
	<u> </u>	<u> </u>	<u>225</u>
Total Operating Expenses	-	237	(237)
	<u> </u>	<u> </u>	<u>1,723</u>
Net Operating Loss	-	(237)	(237)
	<u> </u>	<u> </u>	<u>(498)</u>
<u>OTHER FINANCING SOURCES (USES)</u>			
Transfers In	-	162	162
	<u> </u>	<u> </u>	<u>488</u>
Increase (Decrease) in Equity	-	(75)	(75)
	<u> </u>	<u> </u>	<u>(10)</u>
Equity - Beginning of Year	75	75	-
	<u> </u>	<u> </u>	<u>85</u>
Equity - End of Year	\$ 75	-	(75)
	<u> </u>	<u> </u>	<u>75</u>

See independent auditors' report.

HIGH PLAINS MENTAL HEALTH CENTER
Children's Crisis Services Fund
 Balance Sheets
 December 31, 2012 and 2011

	<u>2012</u>	<u>2011</u>
<u>ASSETS</u>		
Total Assets	\$ <u>-</u>	<u>-</u>
<u>LIABILITIES AND EQUITY</u>		
Total Liabilities and Equity	\$ <u>-</u>	<u>-</u>

Children's Crisis Services Fund
 Summary Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
 For the Year Ended December 31, 2012
 (With Comparative Actual Totals for the Prior Year Ended December 31, 2011)

	<u>2012</u>		
	Original and Final Budget	Actual	Variance Positive (Negative)
<u>EXPENSES</u>			2011 Actual
Operating Expenses			
Personnel	\$ -	-	-
Professional Fees	-	-	-
Travel and Meeting	-	-	-
Professional Resources	-	-	-
Utilities	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
Net Operating Loss	<u>-</u>	<u>-</u>	<u>-</u>
			11,522
			7,950
			1,865
			91
			241
			<u>21,669</u>
<u>OTHER FINANCING SOURCES (USES)</u>			
Transfers In	-	-	-
Transfers Out	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
Net Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>
			20,856
			(6,080)
			<u>14,776</u>
Increase (Decrease) in Equity	-	-	-
			(6,893)
Equity - Beginning of Year	-	-	-
			<u>7,702</u>
Equity - End of Year	-	-	-
			809
Adjustments for GAAP			
Depreciation Expense	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
Equity Per Client	\$ <u>-</u>	<u>-</u>	<u>-</u>

See independent auditors' report.

HIGH PLAINS MENTAL HEALTH CENTER
Functional Family Therapy JJA Grant Fund
Balance Sheets
December 31, 2012 and 2011

	<u>2012</u>	<u>2011</u>
<u>ASSETS</u>		
Current Assets		
Cash	\$ <u>-</u>	<u>19,693</u>
<u>EQUITY</u>		
Equity		
Unreserved	\$ <u>-</u>	<u>19,693</u>

Functional Family Therapy JJA Grant Fund
Summary Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
For the Year Ended December 31, 2012
(With Comparative Actual Totals for the Prior Year Ended December 31, 2011)

	<u>2012</u>			
	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>	<u>2011 Actual</u>
<u>REVENUES</u>				
Operating Revenues				
State Grants and Contracts	\$ <u>-</u>	<u>-</u>	<u>-</u>	<u>2,676</u>
<u>EXPENSES</u>				
Operating Expenses				
Personnel	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,276</u>
Supplies	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,400</u>
Total Operating Expenses	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,676</u>
Net Operating Income (Loss)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfers Out	<u>-</u>	<u>(19,693)</u>	<u>19,693</u>	<u>-</u>
Increase (Decrease) in Equity	<u>-</u>	<u>(19,693)</u>	<u>19,693</u>	<u>-</u>
Equity - Beginning of Year	<u>19,693</u>	<u>19,693</u>	<u>-</u>	<u>19,693</u>
Equity - End of Year	\$ <u>19,693</u>	<u>-</u>	<u>19,693</u>	<u>19,693</u>

See independent auditors' report.

HIGH PLAINS MENTAL HEALTH CENTER
High Plains Mental Health Center Endowment Association, Inc.
Statement of Net Assets
December 31, 2012 and 2011

	<u>2012</u>	<u>2011</u>
<u>ASSETS</u>		
Current Assets		
Cash	\$ 236,457	240,020
Accounts Receivable, Net of Allowance for Uncollectibles	<u>33,240</u>	<u>25,968</u>
Total Current Assets	<u>269,697</u>	<u>265,988</u>
Other Assets		
Land	31,008	31,008
Investment	<u>4,062</u>	<u>10,535</u>
Total Other Assets	<u>35,070</u>	<u>41,543</u>
Total Assets	<u>\$ 304,767</u>	<u>307,531</u>
<u>LIABILITIES AND EQUITY</u>		
Current Liabilities		
Accounts Payable	\$ -	190
Equity		
Unreserved	<u>304,767</u>	<u>307,341</u>
Total Liabilities and Equity	<u>\$ 304,767</u>	<u>307,531</u>

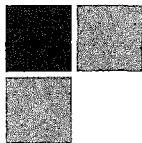
High Plains Mental Health Center Endowment Association, Inc.
Statement of Activities
For the Year Ended December 31, 2012
(With Comparative Actual Totals for the Prior Year Ended December 31, 2011)

	<u>2012</u>	<u>2011</u>
<u>EXPENSES</u>		
Operating Expenses		
Professional and Legal Fees	\$ -	650
Net Operating Loss	<u>-</u>	<u>650</u>
<u>NONOPERATING REVENUES (EXPENSES)</u>		
Donations	3,895	11,035
Interest	887	1,054
Loss on Investment	(6,501)	-
Miscellaneous Expense	<u>(855)</u>	<u>(804)</u>
Net Nonoperating Revenues (Expenses)	<u>(2,574)</u>	<u>11,285</u>
Increase (Decrease) in Equity	<u>(2,574)</u>	<u>10,635</u>
Equity - Beginning of Year	<u>307,341</u>	<u>296,706</u>
Equity - End of Year	<u>\$ 304,767</u>	<u>307,341</u>

See independent auditors' report.

HIGH PLAINS MENTAL HEALTH CENTER

Supplementary Information



Certified
Public
Accountants

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Directors
High Plains Mental Health Center
Hays, Kansas

We have audited, in accordance with the auditing standards generally accepted in the United States of America, the *Kansas Municipal Accounting and Audit Guide* and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of **High Plains Mental Health Center**, as of and for the year ended December 31, 2012, and the related notes to the financial statements, and have issued our report thereon dated March 26, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered **High Plains Mental Health Center's** internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of **High Plains Mental Health Center's** internal control. Accordingly, we do not express an opinion on the effectiveness of **High Plains Mental Health Center's** internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

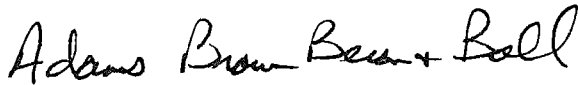
Compliance and Other Matters

As part of obtaining reasonable assurance about whether **High Plains Mental Health Center's** financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on

compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink, reading "Adams Brown Beran & Ball". The signature is written in a cursive, flowing style.

ADAMS, BROWN, BERAN & BALL, CHTD.
Certified Public Accountants

March 26, 2013

HIGH PLAINS MENTAL HEALTH CENTER
Schedule of Findings and Responses
For the Year Ended December 31, 2012

A. SUMMARY OF AUDIT RESULTS

1. The auditors' report expresses a qualified opinion on the financial statements of **High Plains Mental Health Center**.
2. The Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards* did not identify any deficiencies in internal control over financial reporting that are considered to be material weaknesses.
3. No instances of noncompliance material to the financial statements of **High Plains Mental Health Center** were disclosed during the audit.

B. FINDINGS AND RESPONSES – FINANCIAL STATEMENTS AUDIT

No reportable conditions were identified.

C. COMPLIANCE REQUIREMENTS PER AGREEMENT FOR PARTICIPATING COMMUNITY MENTAL HEALTH CENTER CONSOLIDATED CONTRACT – MHCC 11-009

No material findings nor questioned costs were disclosed per the Agreement for Participating Community Mental Health Center Consolidated Contract – MHCC 11-009 as required per the SRS Recipient Monitoring letter dated June 28, 2012.

HIGH PLAINS MENTAL HEALTH CENTER
Summary Schedule of Prior Audit Findings
For the Year Ended December 31, 2012

No material findings or questioned costs for the year ended December 31, 2011 are required to be disclosed.

HIGH PLAINS MENTAL HEALTH CENTER
Schedule of Expenditures of Federal and State Awards
For the Year Ended December 31, 2012

<u>Federal Grantor/ Pass-through Grantor/ Program Title</u>	<u>Federal CFDA Number</u>	<u>Agency or Pass-through Number</u>	<u>Federal Expenditures</u>	<u>State Expenditures</u>
U.S. Department of Health and Human Services				
Passed Through Kansas Department of Social and Rehabilitation Services				
Block Grants for Community Mental Health Services	93.958	MHRC 12-009	\$ 26,290	-
Block Grants for Community Mental Health Services	93.958	MHRC 13-009	28,680	-
Mental Health Reform			-	1,134,886
Family Centered System of Care			-	173,668
State Aid			-	736,307
Total Expenditures of Federal and State Awards			\$ 54,970	2,044,861

See accompanying notes to schedule of expenditures of federal and state awards.

HIGH PLAINS MENTAL HEALTH CENTER
Notes to Schedule of Expenditures of Federal and State Awards
For the Year Ended December 31, 2012

NOTE 1 – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal and state awards includes the federal and state grant activity of **High Plains Mental Health Center**, and is presented on the accrual basis of accounting in compliance with the GASB 34 reporting model.

HIGH PLAINS MENTAL HEALTH CENTER
Schedule of Revenues and Expenditures
Budget and Actual - Grants
December 31, 2012

FEDERAL FUNDS	CFDA	Budget	Actual	
			1/1/12 to 06/30/12	7/1/12 to 12/31/2012
MENTAL HEALTH BLOCK GRANT				
Revenue	93.958	\$ 26,290	26,290	-
		28,680	-	28,680
Total Revenue		\$ 54,970	26,290	28,680
Expenditures		\$ 54,970	28,680	26,290
STATE FUNDS				
MENTAL HEALTH REFORM				
Revenue		\$ 503,137	503,137	-
		631,749	-	631,749
Total Revenue		\$ 1,134,886	503,137	631,749
Expenditures		\$ 1,134,886	503,137	631,749
FAMILY CENTERED SYSTEM OF CARE				
Revenue		\$ 79,010	79,010	-
		94,658	-	94,658
Total Revenue		\$ 173,668	79,010	94,658
Expenditures		\$ 173,668	79,010	94,658
STATE AID				
Revenue		\$ 368,154	368,154	-
		368,153	-	368,153
Total Revenue		\$ 736,307	368,154	368,153
Expenditures		\$ 736,307	368,154	368,153

See independent auditors' report.